



'In Perspective©' -- The Oxford Analytica Weekly Column

The weekly column is produced by Oxford Analytica for newspapers and magazines worldwide. Each week, Oxford Analytica writes on a topical issue of international significance. For further information please contact us on tel: +44 1865 261600 or by e-mail: inperspective@oxford-analytica.com

October 15, 2001: UNITED STATES -- Anti-Terrorism Foreign Aid

This piece focuses on The changing nature of US foreign assistance priorities in the aftermath of the September 11 terrorist attacks. There will be broad support for a rapid expansion of foreign aid designed to counter the terrorism threat and to support key coalition partners. Whether that support is sustainable in the future depends, at least in part, on the programme's success in enhancing US 'homeland security'.

If the anti-terrorism foreign aid programme is shown to serve US interests, help erode poverty, promote democracy and stabilise the political positions of coalition partners, public opinion may in future support more robust programmes. However, if a large portion of assistance is mismanaged or abused, and/or accountability and impact are marginal, enthusiasm for foreign aid is likely to be undermined still further.

Prior to the September 11 terrorist attacks in New York and Washington, the administration's top foreign aid initiatives for the 2002 fiscal year had been combating the spread of HIV/AIDS and other infectious diseases, fighting poverty, broadening the public/private partnership in aid programming, and expanding the counter-narcotics campaign in the Andean region. These issues have now been relegated to positions of secondary importance.

Anti-terrorism focus. Attention is now focused on devoting resources -- humanitarian, developmental and strategic -- to support for the campaign against terrorism. In recent days, President George Bush has announced nearly 1 billion dollars in new aid to support Pakistan and to assist

refugees in Afghanistan and that country's neighbours. More aid will flow in the coming months to a broader set of nations backing the US anti-terrorism campaign. These announcements, and those to follow, have significantly altered the allocation priorities of Washington's foreign assistance:

- Pakistan had been scheduled to receive a small, 7 million dollar education aid project in fiscal 2002, a programme allowed under US sanctions. However, if the administration's preliminary plans move ahead, Islamabad will become the third-largest aid recipient behind Israel and Egypt, surpassing Colombia and other Andean drug-producing countries that, prior to September 11, had been the priorities for new assistance in fiscal 2002.
- The commitment of 320 million dollars of humanitarian relief for refugees in Afghanistan and surrounding countries will nearly double the size of emergency food and medical aid compared to fiscal 2001. Policy makers are also preparing enhanced aid packages for other states in the region, especially for Uzbekistan, Turkmenistan and Tajikistan, where Washington hopes to address economic hardships arising from the accelerated flow of refugees, and to reward those leaders who are backing the US-led campaign in Afghanistan.

Pakistan. Pakistan is set to receive about 600 million dollars this year after a decade of receiving virtually no US economic assistance other than humanitarian food deliveries because of sanctions imposed after it conducted nuclear tests and applied for other reasons. Of this 600 million dollars, 100 million is set to be released initially for 'budget support' purposes that officials state will be used for job creation and other social programmes. The balance of the package is under development, in consultation with Pakistani finance officials. It could take a number of forms, including the reduction of some of Pakistan's 2.7 billion dollar debt to Washington.

Budget support aid, which is often termed a 'cash transfer', poses particular risks. For strategic reasons, and especially in times of crisis, it is a highly valuable type of assistance with an immediate and visible impact, that leaders of recipient governments can showcase as their reward for cooperation. However, it raises significant accountability issues. This is particularly true in a country such as Pakistan, where the potential for corruption and mismanagement is high. For the moment, Congress is likely to go along with administration plans for cash assistance, but privately, legislators will demand strict accounting of how the money is spent and of the results achieved. There are always conditions attached to the transfers -- such as implementation of economic reforms, enactment of pro-trade and investment laws, payment of debts, or other similar

requirements. Problems will arise if there is strong evidence that aid goes missing or has been spent on military or other ineligible types of activities. However, given that the rationale for economic assistance is primarily strategic, as is the case with Pakistan, it will prove difficult to secure strict compliance with conditions.

Humanitarian and refugee aid. The 320 million dollar US relief package represents more than 40% of the total amount pledged by 25 bilateral donors and international organisations. The US plan draws on virtually all means available to get food and medicine to those in need. Traditional supply lines through the World Food Programme, the Red Cross and other non-governmental organisations will be utilised as much as possible. However, food will also be distributed through commercial channels and market interventions, including utilising Afghan traders who sell food and other supplies in large cities. The traders, aid officials claim, have sufficiently strong private security forces to ward off the Taliban government. Air drops of food supplies began at the same time as the military strikes in Afghanistan.

Early administration concerns about relief supplies falling into the hands of the Taliban have been superseded by a growing belief that the United States must balance the military campaign in Afghanistan with a strong effort to feed Afghans suffering from famine and civil war. This initiative has a strong humanitarian emphasis. However, as relief operations move forward simultaneously with military action, the two will become more closely intertwined. This is likely to complicate the work of aid organisations who could become more closely associated with a war effort than with strictly relief operations. Supply lines will also prove vulnerable as fighting increases, and could be disrupted.

Central Asian aid. In the coming weeks, the United States is likely to announce increased assistance for regional states other than Pakistan. Uzbekistan, Tajikistan and Turkmenistan had been scheduled to receive 22 million dollars, 11 million dollars, and 5.5 million dollars respectively, in US bilateral economic assistance this year. Those sums will almost certainly increase, but aid planners will face difficulties in deciding exactly how to formulate new programmes:

- The largest of the three recipients, Uzbekistan, has been criticised by the United States for not pursuing economic reforms, causing the US Agency for International Development (USAID) to move away from macroeconomic, government-sponsored programmes to those focused on local business development and training. The authoritarian nature of the Uzbek government has also prompted the United States to support the promotion of democracy, but again at the local level.

- The repressive regime in Turkmenistan will constrain USAID from broadening its current small programme to one directly engaging the government.

Tajikistan, the poorest Central Asian state, has enormous development needs. The difficulty in this country may be one of prioritisation. Traditional aid supporters, including many non-governmental organisations, will caution US policy makers not to lose sight of human rights, anti-corruption, and humanitarian values as the anti-terrorism campaign links the US government with leaders of non-democratic, and in some cases, authoritarian states.

Foreign aid future. US foreign assistance is being utilised as a highly visible tool in the early days of the anti-terrorism campaign. This affords foreign policy makers a rare opportunity. They can bolster the economic and political stability of those governments that cooperate with Washington and respond to humanitarian needs, while at the same time demonstrate first hand to the US populace the extent to which foreign assistance can serve the national interest. Foreign aid has suffered through decades of declining public support and dwindling resources. It is often maligned as a wasteful enterprise that is rife with corruption and one that drains resources from pressing problems at home. There is now an opportunity to reverse these notions and show how well-targeted economic support can contribute directly to the new priority of 'homeland security'. It is also possible that a well-planned, sustained commitment could reinforce the argument often made that foreign aid is one of the best tools to defeat the underlying problems of poverty, alienation, and civil unrest in developing nations that fuel terrorism.

However, this opportunity could be lost if policy makers do not heed many of the aid 'lessons' learned during the Cold War. The early disbursement of budget support aid to Pakistan is reminiscent of financial transfers that went to US allies in the early 1980s -- many of them authoritarian leaders who had no intention of utilising the funds for national economic development. Transfers in exchange for access to military bases and strategic installations, especially in places such as Somalia, Zaire, Liberia and the Philippines, offered few benefits other than to corrupt government officials.

In this context, Washington will need to articulate the rationale for different types of aid interventions so as not to raise impractical expectations that strategically targeted assistance will effect long-term poverty reduction. Congress can be expected to urge US aid officials to incorporate accountability safeguards in their programmes, and balance short-term infusions with sustainable development strategies aimed at addressing the root causes of poverty.

Back to the [archive](#).

Copyright © 2001
Oxford Analytica Ltd

Any reproduction in whole or in part without the written consent of
Oxford Analytica Ltd is strictly forbidden.

